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11/7/06

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9 *Special (Local) Counsel for the Official Committee of Equity Security Holders of  
 USA Capital First Trust Deed Fund, LLC*

10  
 11 UNITED STATES BANKRUPTCY COURT  
 DISTRICT OF NEVADA

12 In re:	)	BK-S-06-10725-LBR
13 USA COMMERCIAL MORTGAGE COMPANY	)	Chapter 11
14 Debtor.	)	
15 In re:	)	BK-S-06-10726-LBR
16 USA CAPITAL REALTY ADVISORS, LLC,	)	Chapter 11
17 Debtor.	)	
18 In re:	)	BK-S-06-10727-LBR
19 USA CAPITAL DIVERSIFIED TRUST DEED FUND, LLC,	)	Chapter 11
20 Debtor	)	
21 In re:	)	BK-S-06-10728-LBR
22 USA CAPITAL FIRST TRUST DEED FUND, LLC,	)	Chapter 11
23 Debtor	)	
24 In re:	)	BK-S-06-10729-LBR
25 USA SECURITIES, LLC,	)	Chapter 11
26 Debtor	)	
27 Affects:	)	
28 <input type="checkbox"/> All Debtors	)	
<input type="checkbox"/> USA Commercial Mortgage Co.	)	
<input type="checkbox"/> USA Securities, LLC	)	
<input type="checkbox"/> USA Capital Realty Advisors, LLC	)	
<input type="checkbox"/> USA Capital Diversified Trust Deed	)	
<input checked="" type="checkbox"/> USA First Trust Deed Fund, LLC	)	
		DATE: June 5, 2006
		TIME: 9:30 a.m.

25 **DECLARATION OF CANDACE C. CARLYON, ESQ. AND SECOND SUPPLEMENTAL**  
 26 **STATEMENT OF DISINTERESTEDNESS IN SUPPORT OF APPLICATION FOR ORDER**  
 27 **APPOINTING SHEA & CARLYON, LTD. AS SPECIAL (NEVADA) COUNSEL FOR THE**  
**OFFICIAL COMMITTEE OF EQUITY SECURITY HOLDERS OF USA CAPITAL FIRST**  
**TRUST DEED FUND, LLC**

1 I, Candace C. Carlyon, Esq., hereby declare and state as follows:

2       1. The following facts are personally known to me and if called to testify thereto,  
3 I could and would do so, under oath.

4       2. I make this Declaration and Second Supplemental Statement of  
5 Disinterestedness ("Declaration") in support of the Application (the "Application") for Order  
6 Appointing Shea & Carlyon, Ltd. as Special (Nevada) Counsel for the Official Committee of  
7 Equity Security Holders of USA Capital First Trust Deed Fund, LLC (the "FTD Committee"),  
8 which Application the Court granted by an Order entered on June 20, 2006 (docket #739).

9       3. To the best of my knowledge, and based upon the Supplemental Statement of  
10 Disinterestedness herein, neither Shea & Carlyon, nor any of its shareholders have any present  
11 connection with the any of the official committees appointed in the USA cases, the debtors,  
12 any creditors of the estate, any party in interest, their attorneys or accountants, the United  
13 States Trustee and any person employed in the office of the United States Trustee other than  
14 those described in the Application, in both the initial and supplemental Declarations of James  
15 Patrick Shea, Esq. in support thereof (docket nos. 304 and 1180, respectively), and in this  
16 Second Supplemental Declaration.

17       4. With respect to Shea & Carlyon's involvement with, or representation of, the  
18 FTD Committee in this Bankruptcy Case, Shea & Carlyon hereby discloses the following  
19 connections and developments that have been discovered in the course of its involvement in  
20 the USA cases:

21           A. Dr. Lucius Blanchard and Palomino Partners, L.P.

22           1. Shea & Carlyon represents Dr. Lucius Blanchard ("Dr. Blanchard") and  
23 Palomino Partners, LP ("Palomino") in the Pedersen Chapter 7 bankruptcy

1 case (case no. 05-20688-MKN) with respect to certain potential claims by  
 2 Timothy S. Cory, the Chapter 7 trustee.

3 2. Mr. Cory is represented by Jeffrey R. Sylvester, who is also on record in  
 4 the USA cases as representing Haspinov, LLC; Pecos Professional Park,  
 5 LLC;<sup>1</sup> USA Commercial Real Estate Group; and Joseph Milanowski.  
 6 Joseph Milanowski is an insider of the Debtors, and I believe that the listed  
 7 corporate entities to be Affiliates of the Debtors. Joseph Milanowski and  
 8 Thomas Hantges, another insider of the Debtors, are also apparently being  
 9 represented by Joseph J. Huggins, from the law firm of Huggins &  
 10 Associates, and Russell S. Walker, from the law firm of Woodbury &  
 11 Kelser, P.C.

12 3. Shea & Carlyon was recently advised that (1) Dr. Blanchard or Palomino  
 13 have an interest in USA Development, Inc., with respect to which Thomas  
 14 Hantges, and possibly Joseph Milanowski, are insiders; (2) USA  
 15 Development, Inc. and Nevada Skin and Cancer, Chtd., an entity controlled  
 16 by Dr. Blanchard, are the two general partners of Pecos Professional Park,  
 17 the landlord of Debtors' offices at 4484 S. Pecos Rd., Las Vegas, NV  
 18 89121; (3) Dr. Blanchard and Thomas Hantges are both officers in Pecos  
 19 Professional Park Property Owners Association; and (4) Dr. Blanchard may  
 20 have been purportedly listed as the trustee of a trust involving Thomas  
 21 Hantges, or The Hantges Children's Trust.

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 28 <sup>1</sup> The Nevada Secretary State does not reflect any LLC by the name of Pecos Professional Park. Shea & Carlyon thus suspects that this reference is actually to Pecos Professional Park, L.P., discussed below.

1                   4. This office has not, and does not, represent Dr. Blanchard or Palomino as  
 2                   to any matters involving USA Development, Inc., Pecos Professional Park  
 3                   Property Owners Association, Thomas Hantges, Joseph Milanowski, or any  
 4                   other matter involving the Debtors or their insiders.  
 5

6                   B. Beastar, LLC

7                   1. Shea & Carlyon represents Consolidated Mortgage, LLC ("CMC"), as  
 8                   servicing agent and attorney in fact for private investors. In April of 2005,  
 9                   CMC made several acquisition and construction loans to Coke Maggie,  
 10                  LLC ("Coke Maggie"), secured by deeds of trust on Coke Maggie's real  
 11                  property. Coke Maggie defaulted on its obligations to CMC, and on  
 12                  August 1, 2005, Coke Maggie filed for bankruptcy under Chapter 11 (case  
 13                  no. 05-17482), arresting CMC's attempts to foreclose upon Coke Maggie's  
 14                  real property in satisfaction of Coke Maggie's indebtedness to CMC. On  
 15                  February 3, 2006, following an order by this Court lifting the automatic  
 16                  stay as to Coke Maggie's real property, CMC foreclosed upon the real  
 17                  property in satisfaction of Coke Maggie's debt.  
 18

19                  2. On June 19, 2006, the Court entered an order converting Coke Maggie's  
 20                  Chapter 11 case into a Chapter 7 liquidation proceeding. Prior to entry of  
 21                  the order converting the case, Coke Maggie commenced an adversary  
 22                  proceeding against Beastar, LLC ("Beastar"), with whom Coke Maggie  
 23                  was partnered in a joint venture prepetition. The adversary complaint  
 24                  alleges that Beastar conducted certain post-petition transactions relating to  
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 26  
 27

1 several parcels of real property that Coke Maggie alleges are avoidable  
 2 under §§ 549 and 550 of the Bankruptcy Code.

- 3       3. Beastar is a borrower on one of the loans serviced by USA and jointly  
 4       owned by the FTDF and Direct Lenders. The real property securing the  
 5       loan is among the parcels that are the subject of Coke Maggie's litigation  
 6       against Beastar.  
 7  
 8       4. Shea & Carlyon has never represented either Beastar or Coke Maggie, and  
 9       is no longer involved in the Coke Maggie bankruptcy.

10      C. Wells Fargo Bank.

- 11       1. Shea & Carlyon represented Wells Fargo Bank ("WFB") in adversary  
 12       proceeding number 06-01146-lbr brought by USA Commercial Mortgage  
 13       Company ("USACMC") against WFB for honoring a check from the  
 14       Investor's Trust Account post-petition. The Investor's Trust Account was  
 15       used to broker the assignment of fractional interests in certain USACMC  
 16       loans between assignees and assignors of those interests. The Investors  
 17       Trust Account was an account held with WFB. Shea & Carlyon filed an  
 18       answer on behalf of WFB requesting that USACMC's complaint be  
 19       dismissed and that WFB be awarded attorney's fees and costs for defending  
 20       the action.  
 21  
 22       2. USACMC filed an interpleader complaint (adversary number 06-01167-  
 23       lbr) stating it did not have an interest in any of the funds in the Investor  
 24       Trust Account because the account was used to broker assignments  
 25       between assignors and assignees of fractional interests in USACMC loans.

1 After USACMC filed the interpleader complaint, WFB sent a letter to  
2 Jeanette McPherson, counsel for USACMC, requesting that she dismiss the  
3 action against WFB to avoid violation of Fed. R. Bankr. P. 9011.  
4

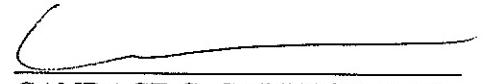
5 3. USACMC and WFB subsequently stipulated to dismiss adversary  
6 proceeding number 06-01146-lbr and USACMC was ordered to re-file a  
7 complaint incorporating both the adversary against WFB and the  
8 interpleader complaint. USACMC re-filed the complaint without naming  
9 WFB as a defendant. Accordingly, Shea & Carlyon no longer represents  
10 WFB in any of these proceedings.  
11

12 5. Based upon the foregoing, it is my belief that neither Shea & Carlyon, nor any  
13 of its members, represents any interest adverse to the FTD Committee for which it has been  
14 retained.  
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16 6. To the best of my knowledge, after conducting or supervising the investigation  
17 described above, I declare under penalty of perjury that the foregoing is true and correct.  
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DATED this 10th day of November, 2006.

19 SHEA & CARLYON, LTD.  
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22 CANDACE C. CARLYON, ESQ.  
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